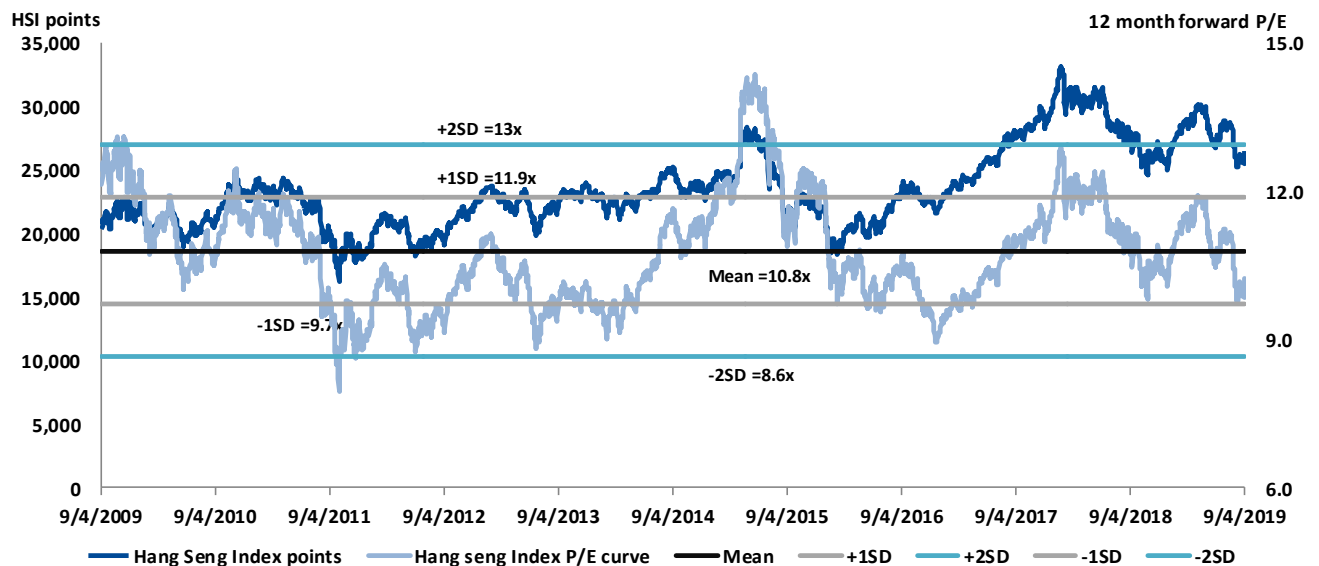


5 September 2019 | 4 Pages

HSI's FWD P/E is likely to hit as low as 8.6x

Hang Seng Index at 10-year horizon

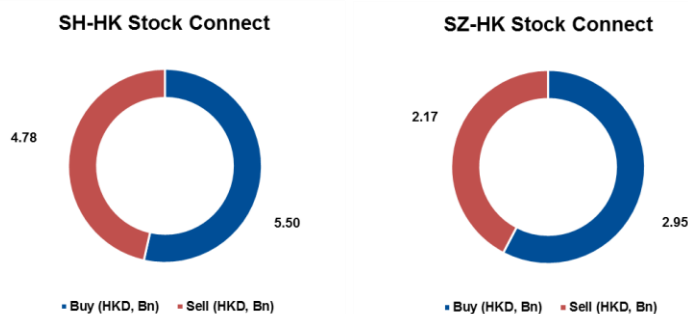


Source: Bloomberg, Mason Securities Limited

Market Overview

Hang Seng Index closed up 3.9% at 26,523. Market turnover improved to HKD 116.4bn. HSCEI climbed 2.5% at 10,288.

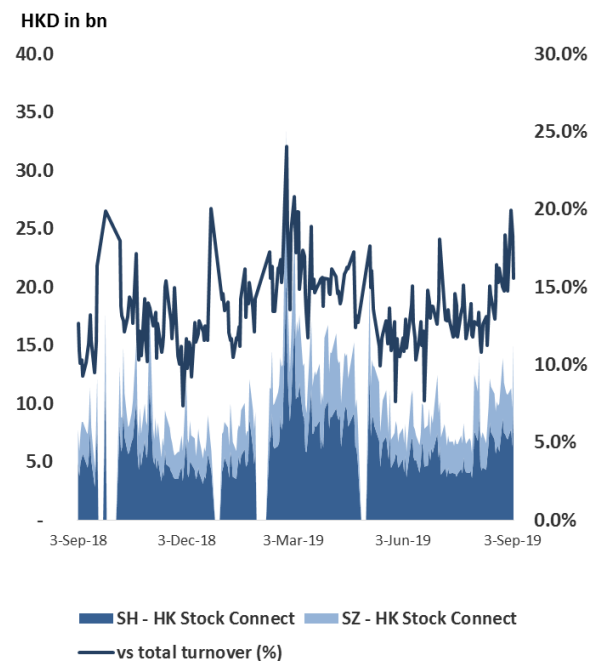
Southbound trading of SH-HK Stock Connect and SZ-HK Stock Connect attained HKD 10.3bn and HKD 5.1bn respectively, making up a combined 15.6% of total HK stock market turnover.



On 10 years horizon, we see HSI will fall into a range between 8.6x to 10.8x 12M forward P/E (10.2x currently), which is equivalent to 22,500 to 28,200 points respectively. This is also equal to average and 2.0 standard deviation below the past 10-year 12M forward P/E mean of 10.8x.

Source: Bloomberg, Mason Securities Limited

Southbound China-HK Stock Connect Turnover



Index Movers

H S I			
Name	Price	% Chg	Points
Wharf (1997)	46.3	12.1%	18.4
New World Development (17)	10.6	10.1%	18.0
Sun Hung Kai Properties (16)	118.5	9.8%	37.2
Henderson Land (12)	38.7	8.7%	13.7
CK Asset Holdings (1113)	56.2	8.6%	34.9
WH Group (288)	6.82	7.9%	13.4
Sino Land (83)	11.64	7.8%	7.8
Hang Seng Bank (11)	171.7	6.8%	25.5
MTR (66)	47.35	6.4%	13.3
Hang Lung Properties (101)	18.88	6.2%	6.8
Country Garden (2007)	10.4	6.1%	13.8
Link (823)	91.55	5.9%	32.6
AIA Group (1299)	79.4	5.9%	158.8
Galaxy Entertainment (27)	51.8	5.7%	18.4
BOC Hong Kong (2388)	27.1	5.4%	15.7
China Resources Land (1109)	32.8	5.0%	13.0
Sands China (1928)	36.85	4.8%	12.5
Swire Pacific (19)	77.85	4.8%	3.3
HKEx (388)	248	4.7%	40.6
China Overseas (688)	25.65	4.5%	12.8
Want Want China (151)	6.32	3.9%	4.1
CLP Holdings (2)	81.85	3.8%	17.2
China Life Insurance (2628)	18.68	3.8%	15.3
Technronic Industries (669)	56.75	3.7%	9.1
Tencent (700)	341.2	3.6%	96.8
Geely (175)	12.16	3.6%	7.0
HSBC (5)	57.9	3.5%	82.1
Hong Kong & China Gas (3)	15.52	3.5%	16.0
CK Hutchison (1)	68.9	3.5%	18.8
BOCOM (3328)	5.27	3.3%	4.5
CITIC (267)	9.64	3.3%	5.5
ICBC (1398)	5.07	3.0%	33.6
CK Infrastructure (1038)	52.9	2.9%	3.6
Hengan International (1044)	52.9	2.9%	3.2
China Unicom (762)	7.97	2.8%	4.1
Ping An Insurance (2318)	92.2	2.8%	28.8
AAC Technologies (2018)	34.9	2.8%	2.1
Power Assets (6)	52.55	2.6%	5.7
CNOOC (883)	11.74	2.6%	16.2
CCB (939)	5.89	2.6%	49.2
China Mobile (941)	66.35	2.5%	29.8
China Shenhua (1088)	16.22	2.1%	3.5
Shenzhou International (2313)	109.7	2.0%	5.0
BOC (3988)	3.04	2.0%	14.5
Sinopec (386)	4.66	1.7%	6.2
PetroChina (857)	3.91	1.0%	2.6
Sunny Optical (2382)	110.7	0.9%	2.2
Sino Biopharmaceutical (1177)	11.68	0.0%	0.0
Mengniu Dairy (2319)	30.6	0.0%	0.0
CSPC Pharmaceutical (1093)	16.14	-0.6%	-1.4

HSCEI			
Name	Price	% Chg	Points
Haitong Securities (6837)	8.09	6.3%	3.0
Country Garden Holding (2007)	10.4	6.1%	9.3
Huatai Securities (6886)	12.08	5.2%	2.0
China Resources Land (1109)	32.8	5.0%	8.7
CITIC Securities (6030)	14.84	5.0%	2.8
PICC Property & Casualty (2328)	9.18	4.8%	5.9
China Tower (788)	1.86	4.5%	7.2
CMB (3968)	37.3	4.0%	11.5
China Life Insurance (2628)	18.68	3.8%	10.3
Longfor Group Holdings (960)	29	3.8%	3.8
Tencent (700)	341.2	3.6%	36.9
BOCOM (3328)	5.27	3.3%	3.0
CITIC (267)	9.64	3.3%	3.7
China National Building Material (3323)	6.89	3.1%	1.7
ICBC (1398)	5.07	3.0%	22.5
China Vanke (2202)	27.65	3.0%	2.4
CCCC (1800)	6.23	3.0%	1.6
Hengan International (1044)	52.9	2.9%	2.2
Ping An Insurance (2318)	92.2	2.8%	19.3
New China Life (1336)	32.2	2.7%	1.4
CITIC Bank (998)	4.19	2.7%	2.2
CNOOC (883)	11.74	2.6%	10.9
CCB (939)	5.89	2.6%	24.9
China Minsheng Banking (1988)	5.29	2.5%	1.8
China Mobile (941)	66.35	2.5%	20.0
People's Insurance (1339)	3.15	2.3%	1.2
China Shenhua (1088)	16.22	2.1%	2.4
Shenzhou International (2313)	109.7	2.0%	3.4
BOC (3988)	3.04	2.0%	9.7
China Railway (390)	5.1	2.0%	0.8
China Pacific Insurance (2601)	32.2	1.9%	3.2
Cinda Asset Management (1359)	1.65	1.9%	0.5
Sinopec (386)	4.66	1.7%	4.2
CRRC Corp (1766)	5.38	1.7%	0.8
Anhui Conch Cement (914)	46.15	1.5%	1.8
China Gas (384)	32	1.4%	1.9
Agricultural Bank (1288)	3.04	1.3%	2.3
China Resources Beer (291)	44.15	1.1%	1.7
PetroChina (857)	3.91	1.0%	1.7
Dongfeng Motor (489)	6.98	1.0%	0.4
Huarong Asset (2799)	1.21	0.8%	0.2
Postal Savings Bank of China (1658)	4.71	0.6%	0.6
Sinopharm Group (1099)	27	0.6%	0.4
BYD (1211)	39.2	0.5%	0.3
ENN Energy Holdings (2688)	81.25	0.4%	0.6
China Telecom (728)	3.52	0.0%	0.0
Guangzhou Automobile (2238)	7.2	-0.3%	-0.1
CSPC Pharmaceutical (1093)	16.14	-0.6%	-1.0
ANTA Sports Products (2020)	62.8	-0.9%	-1.2
Guangdong Investment (270)	16.26	-2.2%	-2.2

Source: Bloomberg, Mason Securities Limited

Major Market Indicators

		% Change			
Hong Kong	Close	1-Day	1-Mth	6-Mth	12-Mth
Hang Seng Index	26,523.23	3.9%	1.4%	-8.4%	-2.6%
HSCEI (H-Shares)	10,288.19	2.5%	2.0%	-11.2%	-3.4%
Mkt T/O (\$ Mn)	116,377.15	82.4%	1.9%	-21.9%	61.3%
Oversea					
DJIA	26,355.47	0.9%	2.5%	2.1%	1.5%
NASDAQ	7,976.88	1.3%	3.2%	5.3%	-0.2%
Shanghai SE Composite	2,957.41	0.9%	4.8%	-3.2%	9.4%
Shenzhen Component	9,700.32	0.7%	8.0%	1.1%	15.4%
Commodities and FX					
Crude Oil Futures (US\$)	56.04	3.9%	2.5%	-0.9%	-18.5%
Gold Futures (US\$)	1,551.90	-0.1%	5.5%	20.8%	29.7%
Baltic Dry Index	2,501.00	2.4%	41.0%	277.2%	69.3%
USD / Euro	1.10	0.1%	-1.6%	-2.3%	-5.0%
Yen / USD	106.39	-0.1%	-0.5%	5.2%	4.8%
CNH / USD	7.149	0.0%	-0.7%	-6.1%	-4.2%

Source: Bloomberg, Mason Securities Limited

Disclosures of Interests

Research Analyst Certification

The views about any and all of the subject securities and issuers expressed in this report accurately reflect the personal views of the research analyst(s) primarily responsible for this report; and the analysts are paid in part based on the profitability of Mason Securities Limited ("MSL") and its affiliates (collectively called "Mason Group") which includes revenue from investment banking activities.

Research Analyst Conflicts

Financial Interest:

The research analyst(s) who prepared this report and/or his/her/their associates has/have no financial interests in relation to listed corporation(s) covered in this report.

Relevant Relationships:

The research analyst(s) who prepared this report and his/her/their associates do not serve as officer(s) of listed corporation(s) covered in this report.

Mason Group's Financial Interests and Business Relationships

Mason Group may make a market in, or may, as principal or agent, buy or sell securities (or derivatives thereon) of issuer(s) mentioned in this report. Mason Group may have a financial interest in the issuer(s) mentioned in this report, including a long or short position in its/their securities and/or options, futures or other derivative instruments based thereon, or vice versa. Likewise, Mason Group, including its officers or employees may serve or have served as an officer, director or in an advisory capacity for any issuer(s) mentioned in this report. Mason Group may also, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any issuer(s) referred to in this report.

Affiliation

Mason Securities Limited is a wholly owned subsidiary of Mason Group Holdings Limited (00273.hk). More Information can be obtained at the website, <http://www.hkexnews.hk>.

Disclaimer

This report is provided for information and discussion purposes only. None of the views contained in this report constitute a solicitation or an offer by any member of MSL, their directors, representatives and / or employees to buy or sell, whether as principal or agent, any securities, futures, options or other financial instruments.

This report is intended for receipt by those to whom it is supplied by MSL and is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation, or which would subject MSL to any regulatory requirement within such jurisdiction or country. Any person or entity who is in possession of this report and who intends to act or rely upon the information contained in it must satisfy himself / herself that he / she is not subject to any local requirement which restricts or prohibits him / her from doing so.

Although the information in this report is obtained or compiled from sources that MSL believes to be reliable, it does not represent or warrant, whether expressly or impliedly, the accuracy, validity, timeliness or completeness of any such information. MSL expressly disclaims any warranties whether express or implied, of fitness for a particular purpose, or duties of care, in favor of any third party relying upon this reports. Information contained in this report may change at any time and MSL gives no undertaking to provide notice of any such change. Opinions and estimates stated in this report are a reflection of the judgment of MSL as at the date of this report and may also change at any time. MSL gives no undertaking to provide notice of any such change.

The instruments and investments discussed in this report may not be suitable for investors, and this report has no regard to the specific investment objectives, investment experience, financial situation or needs of any particular recipient. Investors must make their own investment decisions based on their own investment objectives and financial position. The value of, and income from, an investment may vary because of changes in interest rates or foreign exchange rates, changes in the price of securities or indices, changes in operational or financial conditions of companies and other factors. There may be time limitations on the exercise of, or the exercise of rights associated with, the instruments and investments discussed in this report. Past performance is not necessarily a guide to future performance.

In no event will MSL or any other member of Mason Group be liable or have any responsibility for loss of any fund, whether direct, indirect, consequential or incidental, resulting from the act or omission of any third party occurring in reliance upon the contents of this report even if Mason Group is aware of such act or omission at the time that it occurs.

© 2019 MSL. All rights reserved. This report may not be reproduced or redistributed, in whole or in part, without the written permission of MSL and MSL accepts no liability whatsoever for the actions of third parties in this respect.

Guide to stock ratings

Note: Newly issued research recommendations and target prices supersede previously published research.

BUY Based on a current 12-month view of total shareholder return (change in share price from current price + projected dividend yield), we expect a positive return of over 10%.

HOLD Based on a current 12-month view of total shareholder return, we expect the return to range between +10% to -10%.

SELL Based on a current 12-month view of total shareholder return we expect a negative return of over 10%.

Research Team Contact

Research Team,

Mason Securities Limited,
Portion 1, 12/F, The Center,
99 Queen's Road Central, Hong Kong
Tel: (+852) 2218 2818
Email: research@masonhk.com